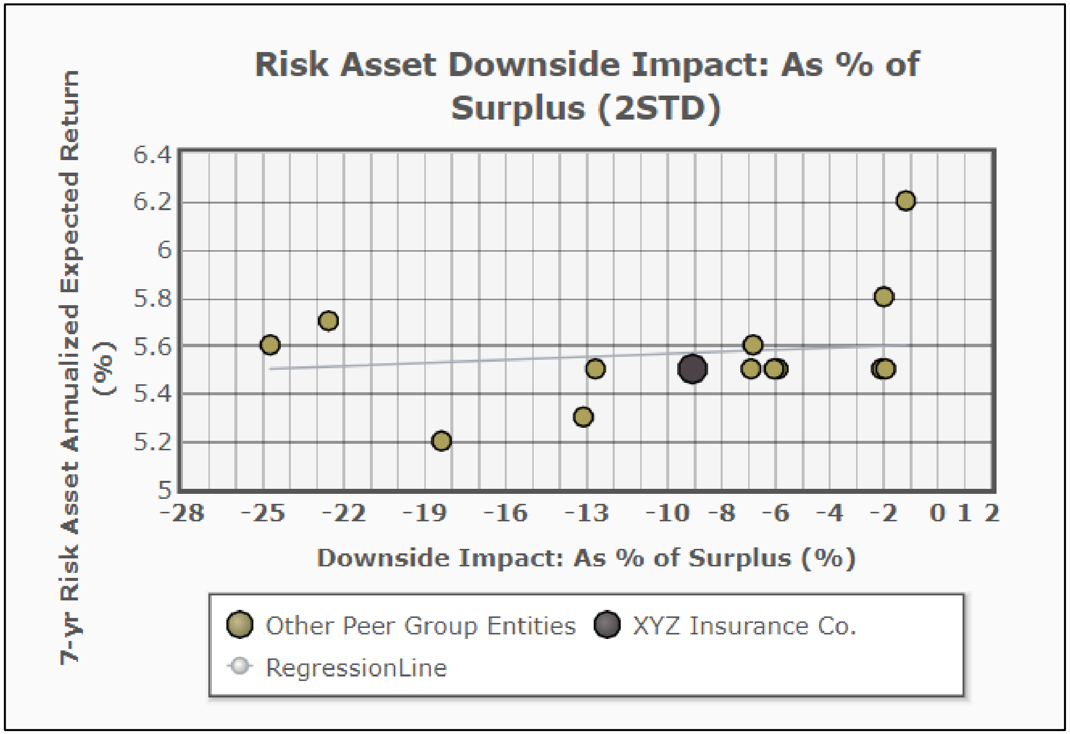
SAA Sample Peer Group Analysis

As of Year-End 2019

Presented by: Alton Cogert, *CFA*, *CPA*, *CAIA*, *FDP*, *CGMA*
President & CEO

STRATEGIC ASSET ALLIANCE
THE INSURANCE INVESTMENT SPECIALIST

Risk Asset Downside Impact: As % of Surplus (2STD)

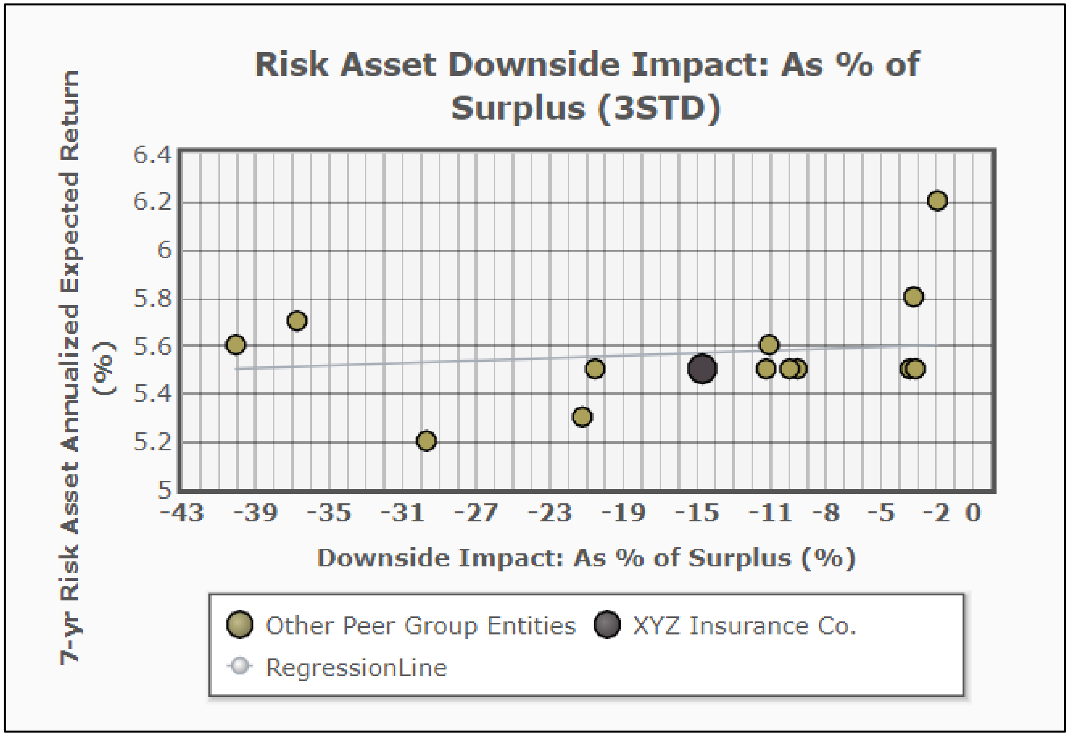


This chart reflects the expected annualized return of your company's risk asset portfolio and the potential downside impact to surplus, adjusted for deferred federal income taxes, from market movements in risk assets*. Surplus growth and declines are primarily driven by the return and volatility characteristics in risk assets.

This broadly reflects your company's risk asset appetite, implied by your asset allocation. Are you comfortable with the potential shock to your surplus given a 2-standard deviation (95th percentile) volatility event? If your surplus looks mostly unaffected by a 2 STD risk asset event, should you consider adding risk asset exposure in order to gain additional return?

**Before Any Applicable Tax Effects*

Risk Asset Downside Impact: As % of Surplus (3STD)

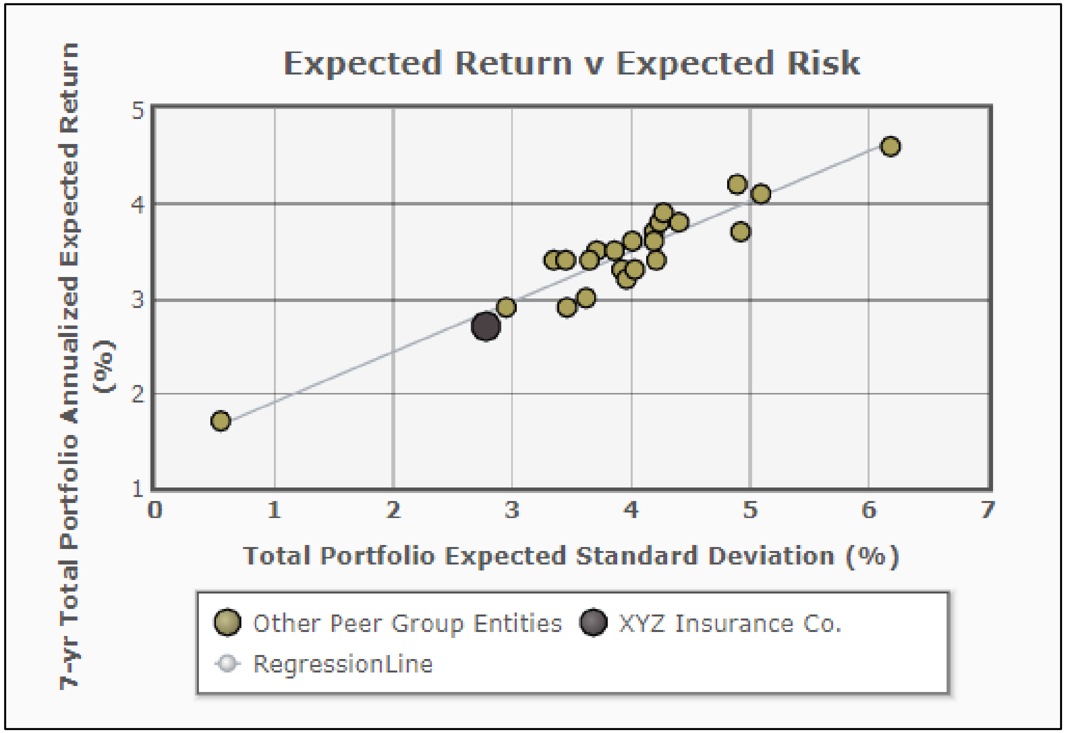


This chart reflects the expected annualized return of your company's risk asset portfolio and the potential downside impact to surplus, adjusted for deferred federal income taxes, from market movements in risk assets*. Surplus growth and declines are primarily driven by the return and volatility characteristics in risk assets.

This broadly reflects your company's risk asset appetite, implied by your asset allocation. Are you comfortable with the potential shock to your surplus given a 3-standard deviation (99.7th percentile) volatility event? If your surplus looks mostly unaffected by a 3 STD risk asset event, should you consider adding risk asset exposure in order to gain additional return?

**Before Any Applicable Tax Effects*

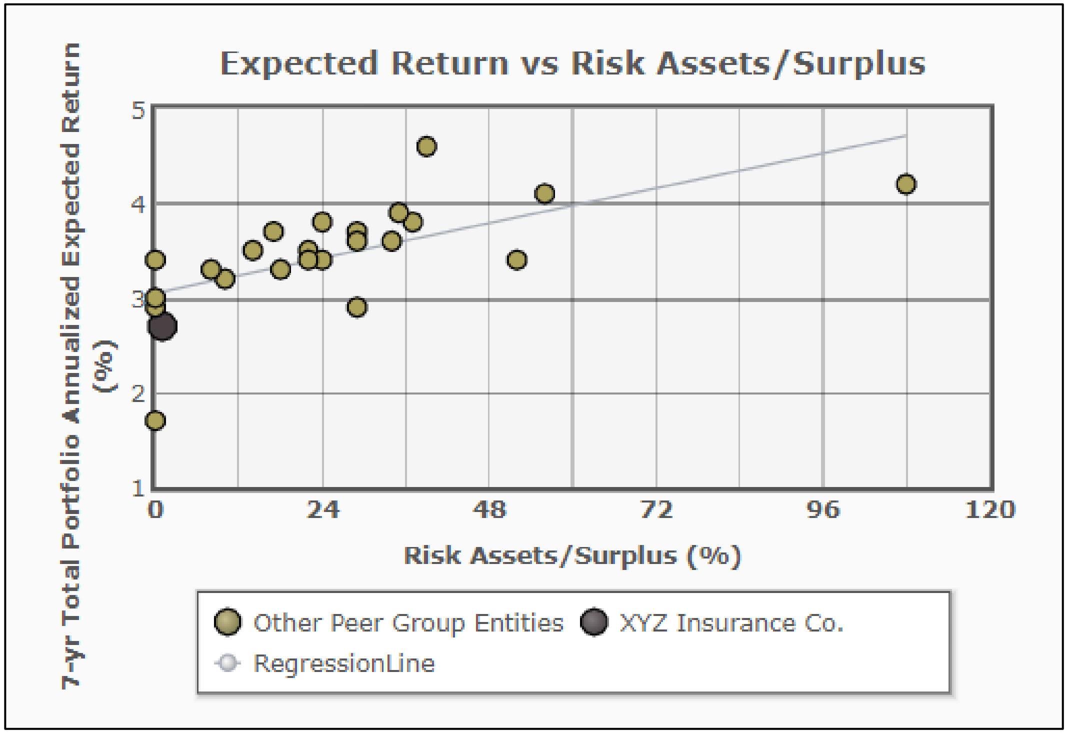
Expected Return v Expected Risk



This chart broadly indicates your company's expected return to your portfolio standard deviation relative to your peers. Expected return is not a guaranteed rate of return, but rather, a forecast of the future value of the portfolio. The standard deviation reflects your portfolio's expected volatility.

Investment opportunities should always be made in conjunction with their risk characteristics. Portfolio risk can be reduced by holding combinations of assets that are diversified and less correlated.

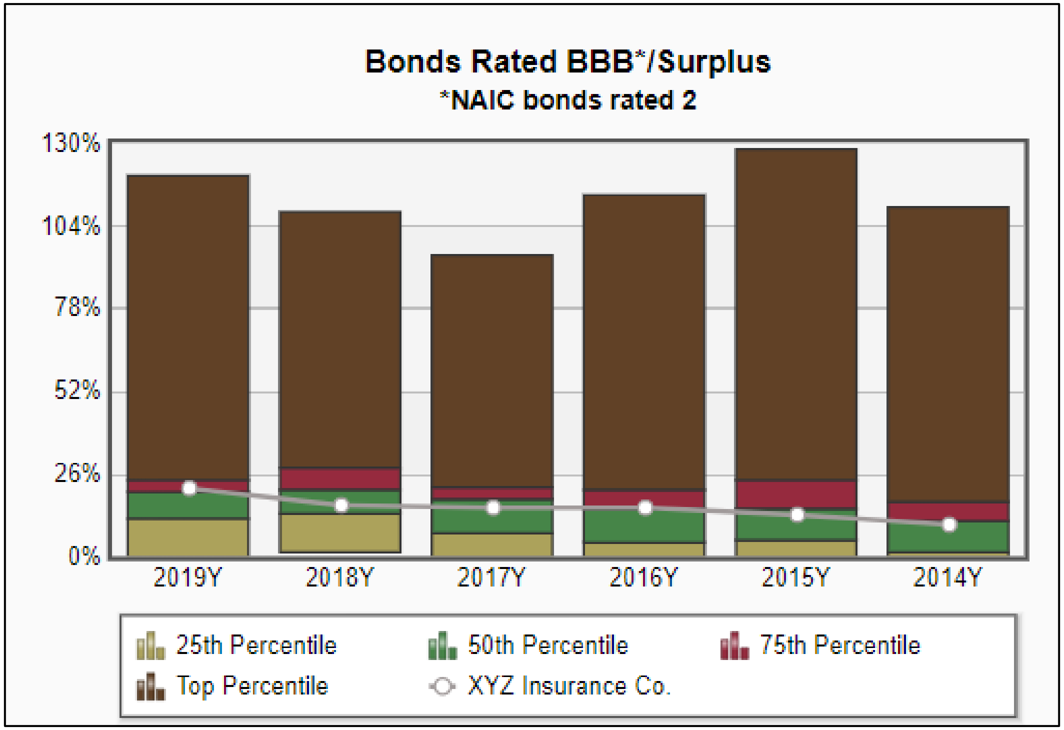
Expected Return v Risk Assets/Surplus



This chart broadly indicates your company's expected return relative to the risk assets/surplus ratio. Risk assets include High Yield bonds, Common Stock, Preferred Stock, and long-term Schedule Ba investments.

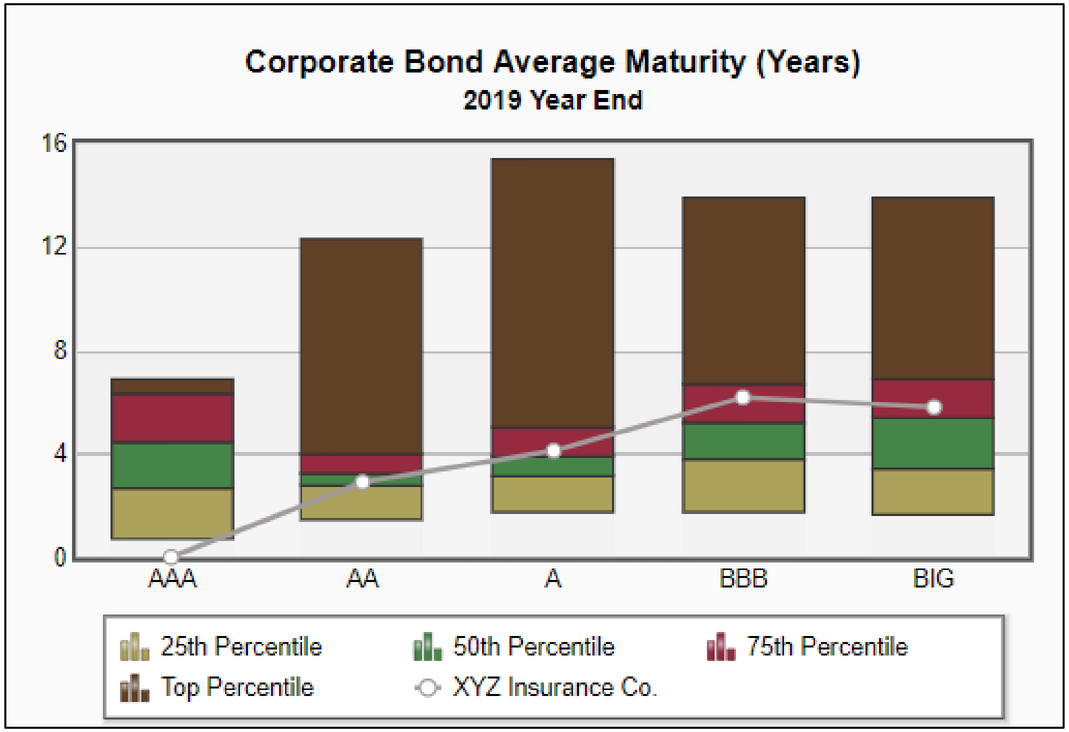
Increasing the amount of risk assets relative to surplus should correspond with an increase in expected return. A strong surplus position may allow your company to take on additional risk. Leveraging too much risk relative to your surplus that is not properly compensated can be detrimental to your investment portfolio

Bonds Rated BBB*/Surplus



This chart indicates your company's fixed income exposure to BBB rated bonds relative to your peers. Companies tend to increase BBB allocations when seeking greater investment income or future returns.

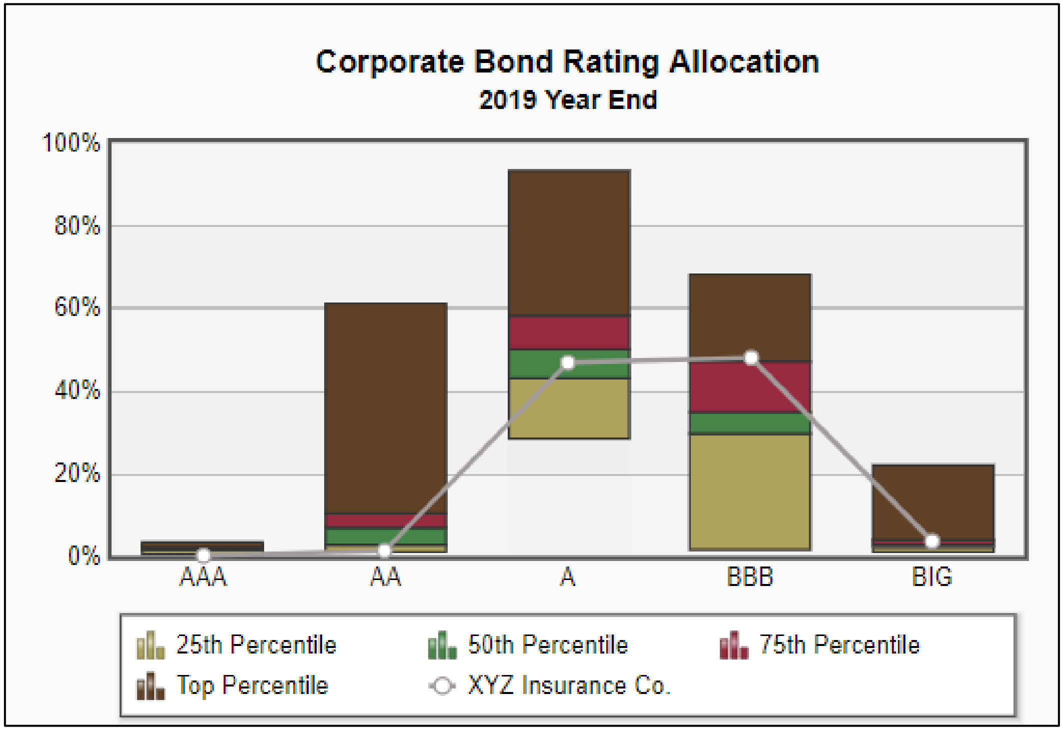
Corporate Bond Average Maturity (Years)



This chart displays what your company's average maturity is for each credit rating bucket relative to your peers within your corporate bond allocation.

This is a measurement in years for how long it takes for the price of a bond to be repaid by its internal cash flows (coupons and principal repayment at maturity). Bonds with higher maturities carry more interest rate risk and have higher price volatility. Combining more interest rate risk with a lower credit profile could also be a concern.

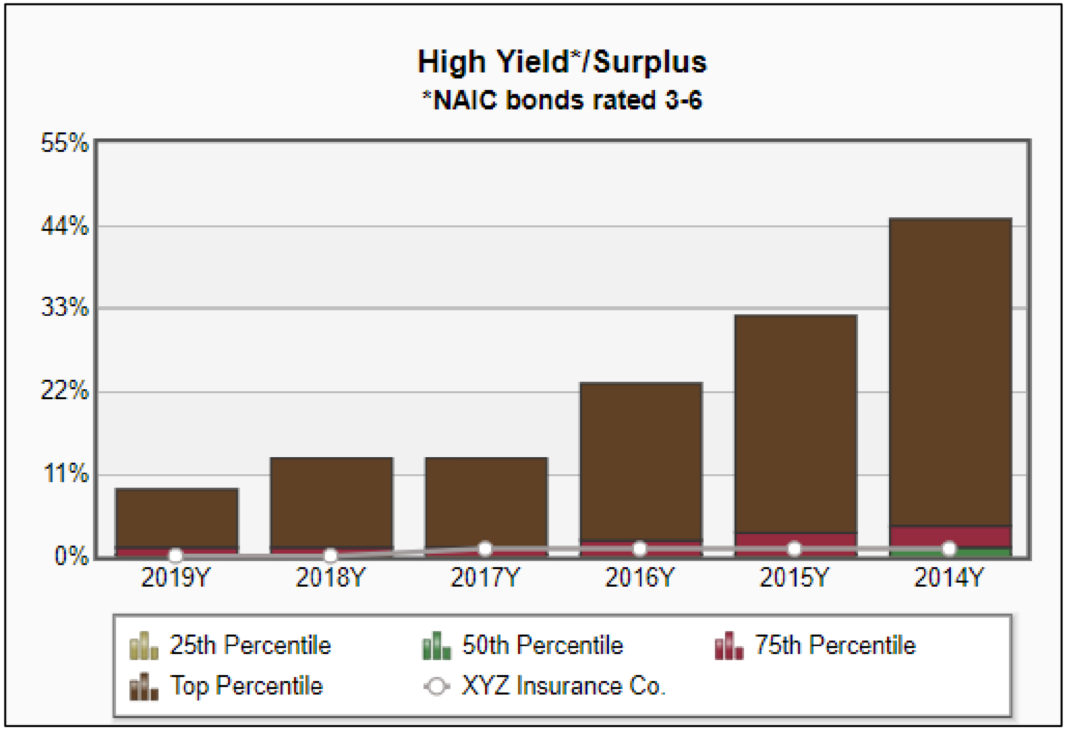
Corporate Bond Rating Allocation



This chart indicates your company's allocation to corporate bonds broken down by credit rating category relative to your peers.

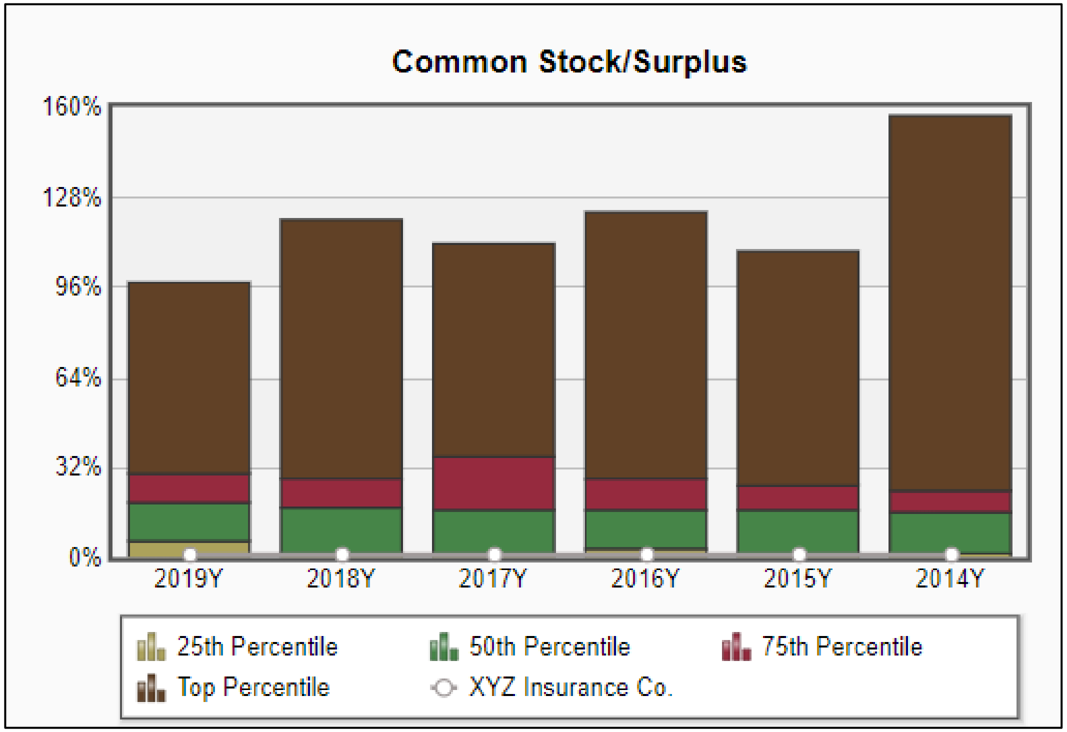
Corporate bonds are typically higher risk than government bonds which typically leads to higher yields. The lower an issuer's credit quality, the more costly it becomes to issue debt due to its increased chances of default.

High Yield/Surplus



This chart indicates your company’s allocation to NAIC rated bonds 3 to 6 relative to your peers. High Yield bonds carry a higher risk of default; however, these bonds pay a higher yield than investment grade bonds.

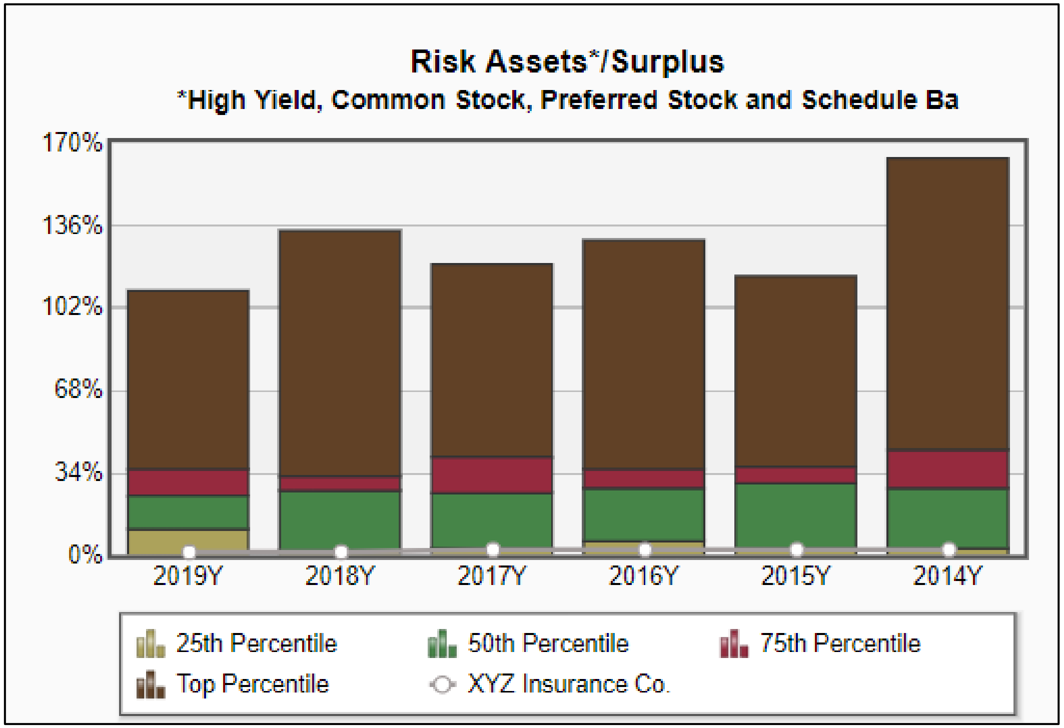
Common Stock/Surplus



This chart indicates your company's common stock allocation relative to your peers.

Common stocks typically offer greater returns than bonds but carry higher risk of loss as well as increased return volatility. If your portfolio holds a large percentage of surplus in common stocks and stocks suffer significant losses (e.g. 2008), your surplus position could be materially impacted.

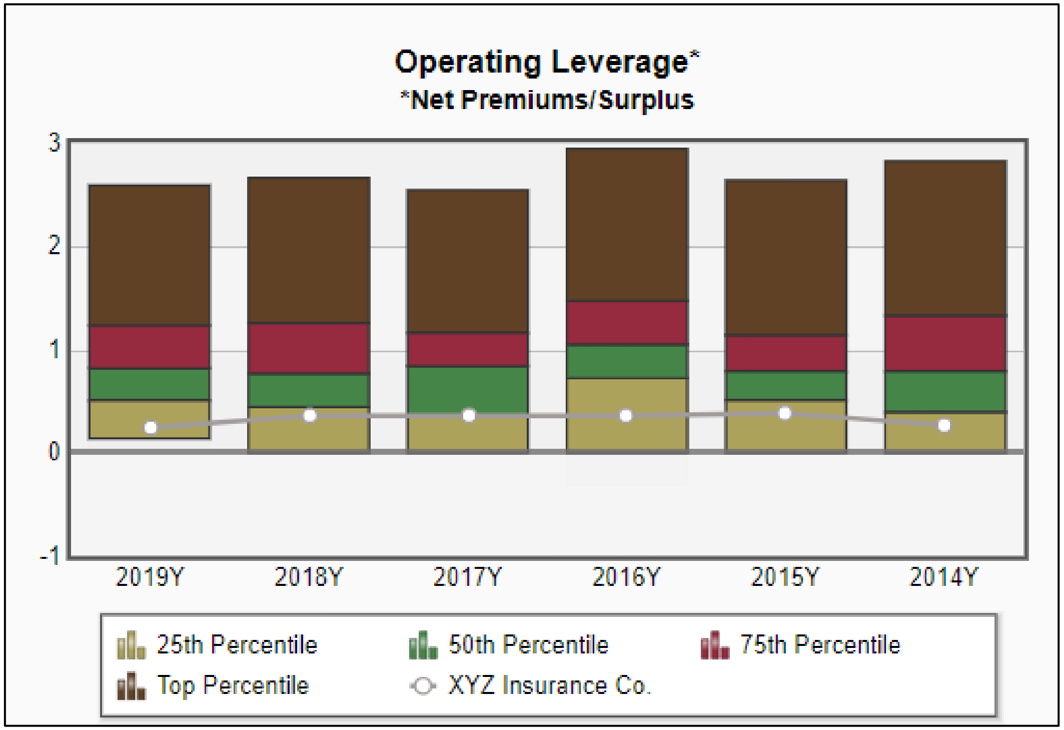
Risk Assets/Surplus



This chart broadly indicates your company's allocation to "risk assets" relative to your peers. Risk assets typically consist of High Yield bonds, Common Stock, Preferred Stock, and long-term Schedule Ba investments which may include a number of other asset classes (real estate, hedge funds etc.).

Since returns are not guaranteed, an increase in your risk asset bucket over time should be yielding you an appropriate increase in return. If your company is in a lower quartile, it is important to consider if any added benefits could be gained from your portfolio adjusted for risk.

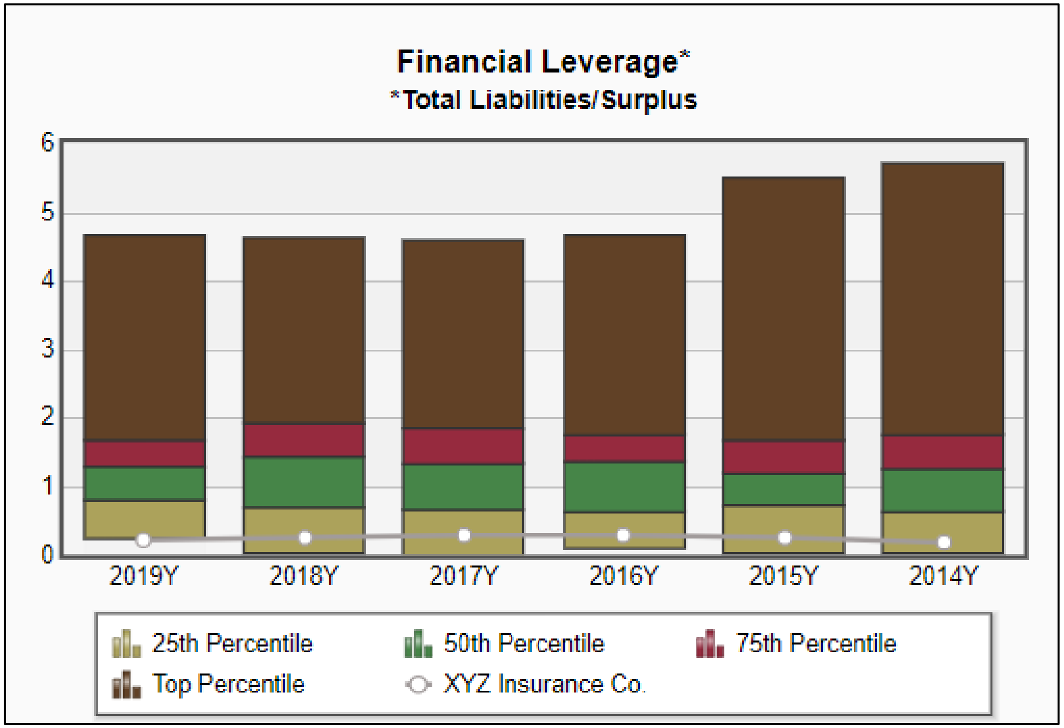
Operating Leverage



This ratio measures a company's net retained premium in relation to its surplus. This ratio measures the company's exposure to pricing errors in its current book of business. A company should demonstrate a controlled business growth with quality surplus growth from strong internal capital generation.

It is also important to look at your company's operating leverage in conjunction with the risk profile of your investment portfolio. With lower operating leverage, one may be able to take on more investment risk.

Financial Leverage



This chart indicates the total liabilities to surplus relative to your company's peers. This measures a company's exposure to unpaid obligations, unearned premiums, and exposure to reserving errors.